

**UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF NEW YORK**

**SECURITIES AND EXCHANGE
COMMISSION,**

Plaintiff,

v.

**COLLINS & AIKMAN CORPORATION,
DAVID A. STOCKMAN, J. MICHAEL STEPP,
GERALD E. JONES, DAVID R. COSGROVE,
ELKIN B. MCCALLUM, PAUL C. BARNABA,
JOHN G. GALANTE, CHRISTOPHER M.
WILLIAMS, and THOMAS V. GOUGHERTY,**

Defendants.

**Civil Action No.
07-CV-2419 (LAP)**

COMPLAINT

The Securities and Exchange Commission ("SEC" or "Commission") alleges as follows as to Collins & Aikman Corporation, David A. Stockman, J. Michael Stepp, David R. Cosgrove, Elkin B. McCallum, Paul C. Barnaba, John G. Galante, Gerald E. Jones, Christopher M. Williams, and Thomas V. Gougherty ("Defendants").

NATURE OF THIS ACTION

1. This action arises out of pervasive accounting fraud by Collins & Aikman Corporation ("C&A") and several of its former officers and employees, including Chief Executive Officer ("CEO") David A. Stockman ("Stockman"). For more than three years, from the fourth quarter of 2001 until early 2005, C&A inflated its quarterly earnings by improperly accounting for payments from suppliers. Beginning in late 2001, C&A entered into numerous improper "round-trip" transactions with Elkin B. McCallum ("McCallum"), a member of C&A's Board of Directors and a supplier to C&A. C&A

